



Reassessment & Update

Indiana Department of Local Government Finance

Brian Bailey

Commissioner

May 25, 2011



Roadmap

- Recap of 2010 pay 2011
- Goals for 2011 pay 2012
- General Reassessment
- 2011 Legislation



RECAP



On-time billing in 2011

- Certified budget orders for units in 91 counties
- On-time tax bills in 90 counties
 - Lake: June 10, 2011 – five-months improvement
- Assessors and Auditors Improvements:
 - Assessors average improvement: 56 days
 - Auditors average improvement: 83 days
- Number of days late (expected): 30 days



2010 pay 2011 Budget Certification Status Map

Progress: 2011 Billing

Indiana Counties

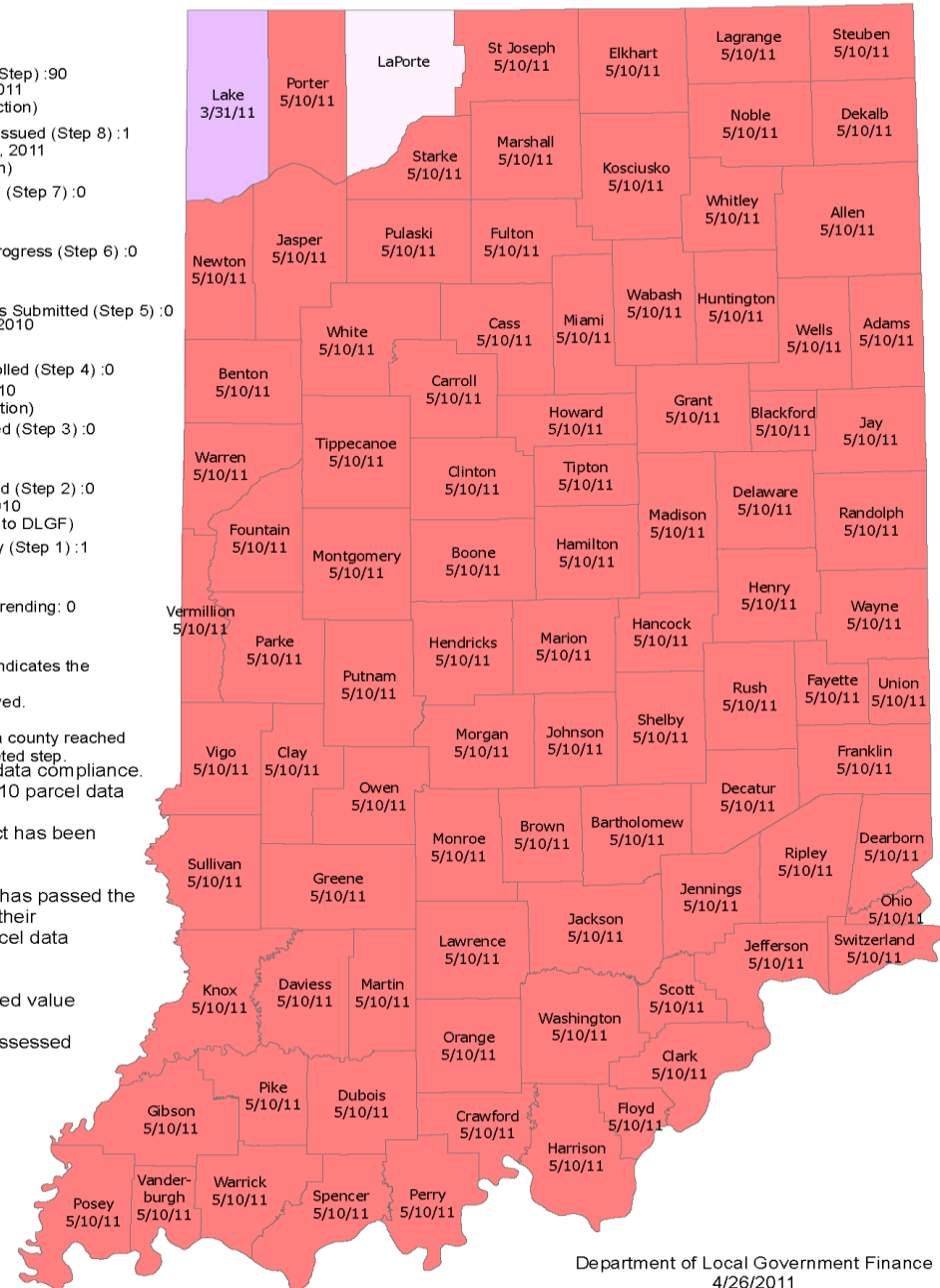
- Tax Bills Due (Final Step) :90
Due May 10, 2011
(Co. Treasurer Action)
- Final Budget Order Issued (Step 8) :1
Due February 15, 2011
(DLGF Action)
- 1782 Notices Issued (Step 7) :0
(DLGF Action)
- Budget Review in Progress (Step 6) :0
(DLGF Action)
- Net Assessed Values Submitted (Step 5) :0
Due August 1, 2010
- Assessed Values Rolled (Step 4) :0
Due July 1, 2010
(Co. Assessor Action)
- Sales Ratio Approved (Step 3) :0
(DLGF Action)
- Sales Ratio Received (Step 2) :0
Due Spring 2010
(Co. Assessor sends to DLGF)
- Awaiting Ratio Study (Step 1) :1
- State is performing trending: 0

NOTE: The current color indicates the previous step has been completed in full or approved.

A date indicates the date a county reached their most recently completed step.
1 indicates 2009 Sales data compliance.
2 indicates 2009 pay 2010 parcel data compliance.
3 indicates 2010 abstract has been completed.

M-W indicates a county has passed the Mann-Whitney test and their submitted sales and parcel data sets are fully compliant.

R: Real property assessed value roll date
PP: Personal property assessed value roll date





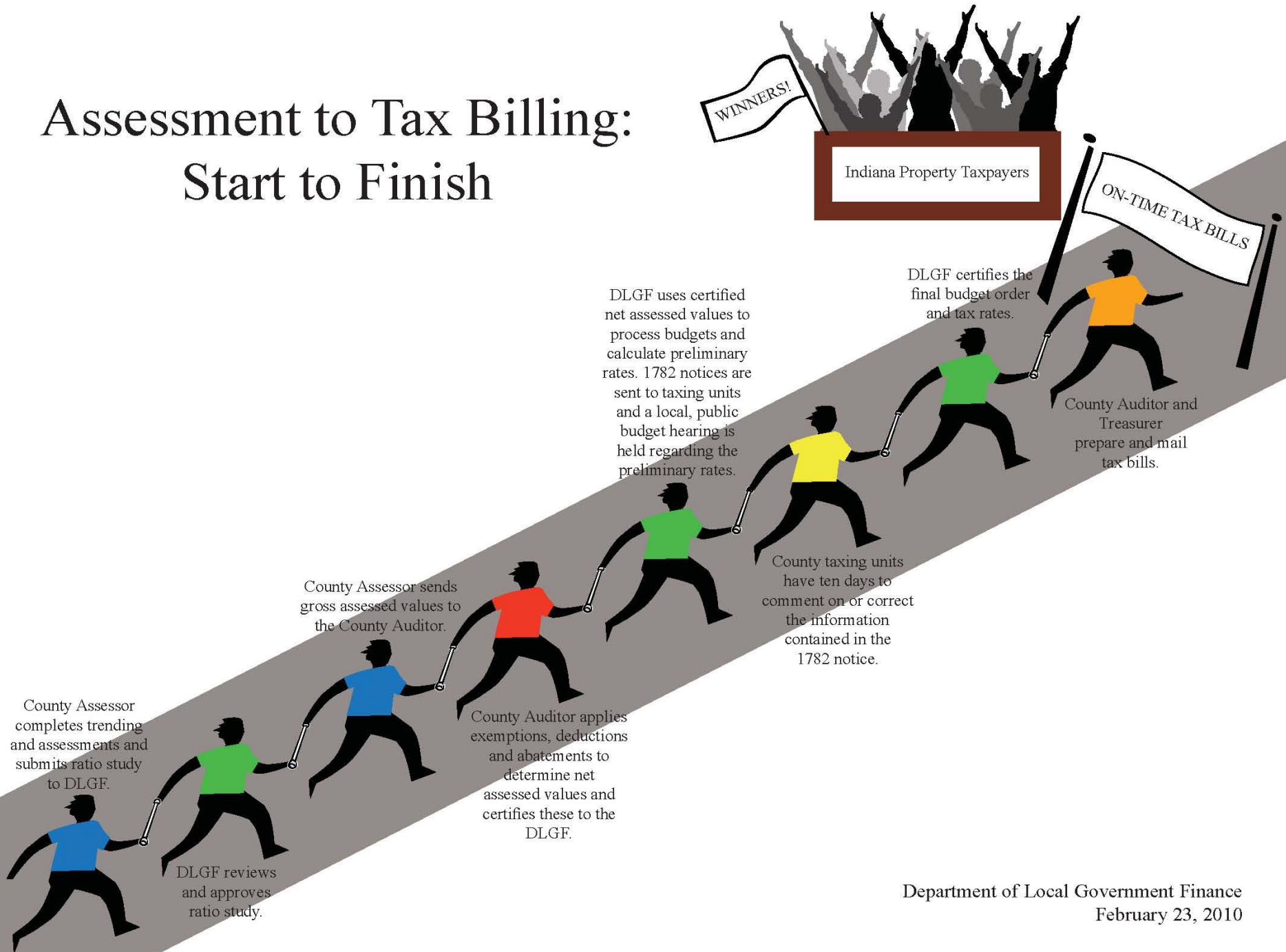
GOALS



Goals for 2012

- On-time Billing for 91 counties
- On-time Reassessment
- Roll out of the Indiana Gateway for Government Units

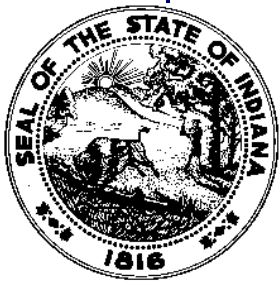
Assessment to Tax Billing: Start to Finish





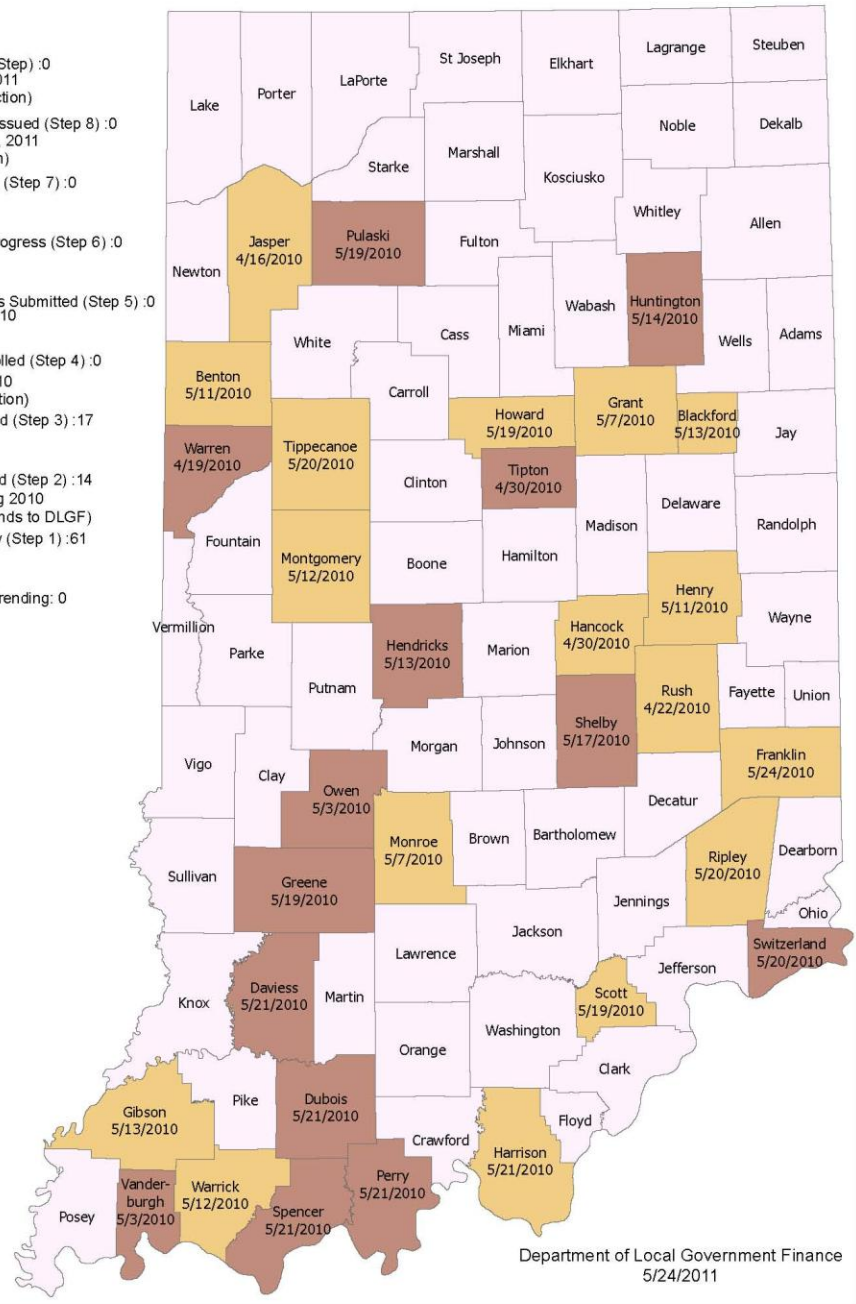
Local Elections - Effects

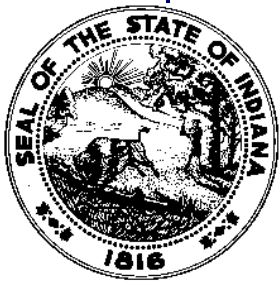
- 39 New Assessors (county and township)
- 34 New Auditors
- Department Assistance
 - New Officials packets on website
 - Special meetings for new officials:
 - State-called with AoS and SBOA for auditors
 - AIC New Officials Training
 - New Assessors Track Assessors Conference
 - Continued presence at conferences in 2011



2010 pay 2011 Budget Certification Status Map

- Indiana Counties**
- Tax Bills Due (Final Step) :0
Due May 10, 2011
(Co. Treasurer Action)
 - Final Budget Order Issued (Step 8) :0
Due February 15, 2011
(DLGF Action)
 - 1782 Notices Issued (Step 7) :0
(DLGF Action)
 - Budget Review in Progress (Step 6) :0
(DLGF Action)
 - Net Assessed Values Submitted (Step 5) :0
Due August 1, 2010
 - Assessed Values Rolled (Step 4) :0
Due July 1, 2010
(Co. Assessor Action)
 - Sales Ratio Approved (Step 3) :17
(DLGF Action)
 - Sales Ratio Received (Step 2) :14
Due Spring 2010
(Co. Assessor sends to DLGF)
 - Awaiting Ratio Study (Step 1) :61
 - State is performing trending :0





2011 pay 2012 Budget Certification Status Map

Progress:
2012 Billing
As of May 24, 2011

Indiana Counties

- Tax Bills Due (Final Step) :0
Due May 10, 2012
(Co. Treasurer Action)
- Final Budget Order Issued (Step 8) :0
Due February 15, 2012
(DLGF Action)
- 1782 Notices Issued (Step 7) :0
(DLGF Action)
- Budget Review in Progress (Step 6) :0
(DLGF Action)
- Net Assessed Values Submitted (Step 5) :0
Due August 1, 2011
- Assessed Values Rolled (Step 4) :1
Due July 1, 2011
(Co. Assessor Action)
- Sales Ratio Approved (Step 3) :18
(DLGF Action)
- Sales Ratio Received (Step 2) :32
Due Spring 2011
(Co. Assessor sends to DLGF)
- Awaiting Ratio Study (Step 1) :41
- State is performing trending: 0

NOTE: The current color indicates the previous step has been completed in full or approved.

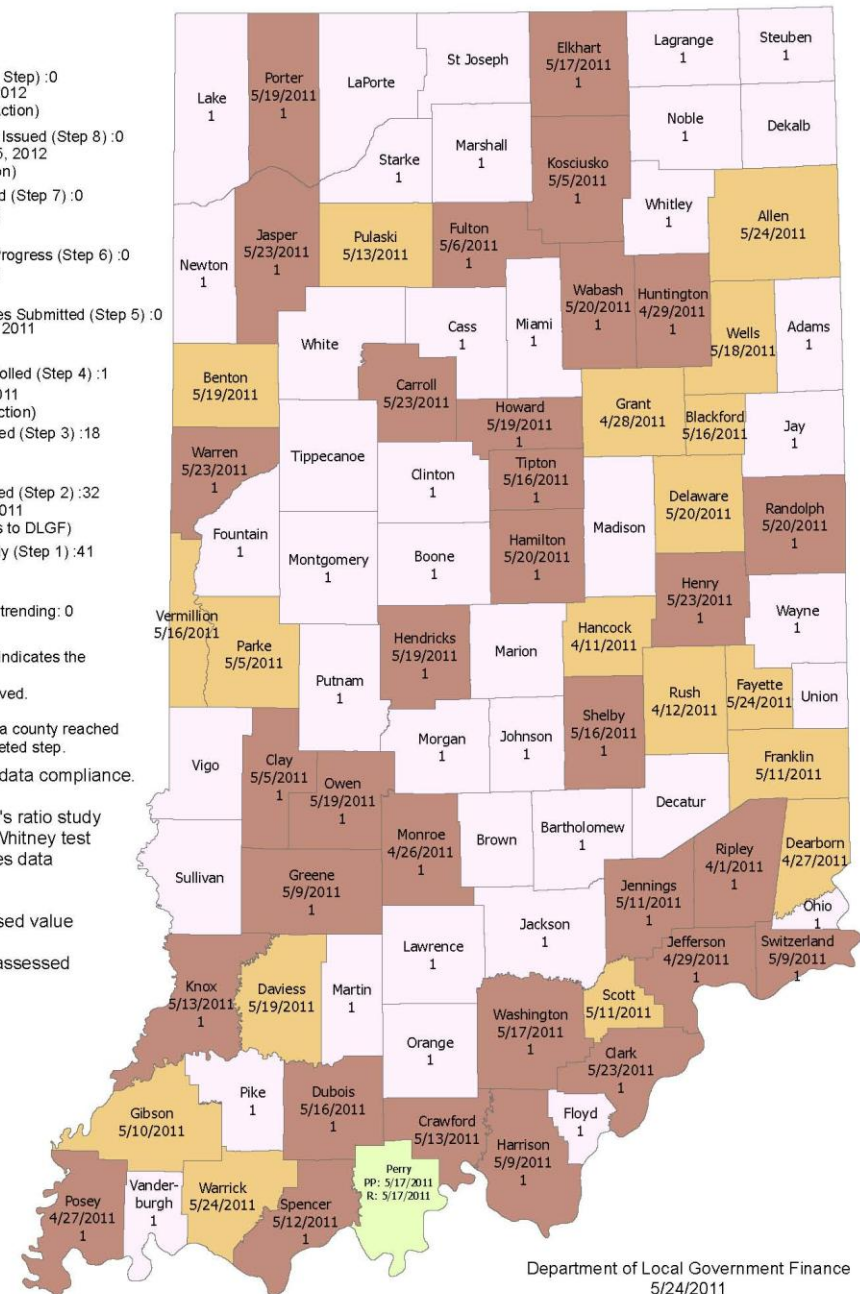
A date indicates the date a county reached their most recently completed step.

1 indicates 2010 Sales data compliance.

M-W indicates a county's ratio study has passed the Mann-Whitney test and their submitted sales data is fully compliant.

R: Real property assessed value roll date

PP: Personal property assessed value roll date



Department of Local Government Finance
5/24/2011



GENERAL REASSESSMENT



What is reassessment?

Reassessment (IC 6-1.1-4-4(b))

- Assessors physically inspect each property to ensure that records are correct and up to date.
- Inspection accomplishes the gathering of data appropriate to value the property,
 - Does this property still have a free-standing garage and an in-ground pool?
 - Is the building on this property still 1,200 square feet or has it increased/decreased in size?



General Reassessment

- Began July 1, 2010
- Affects 2012-pay-2013 property tax bills
- Schedule:
 - December 1, 2010: $\frac{1}{4}$ parcels done
 - May 1, 2011: $\frac{1}{2}$ parcels done
 - October 1, 2011: $\frac{3}{4}$ parcels done
 - March 1, 2012 – all parcels done
- On-Time billing priority



General Reassessment

- Every general reassessment in the last forty (40) years has been associated with late tax billing.
- We must maintain the progress we've made the last 2 years in on-time billing.
- Assessors are reporting their progress in collecting data and entering data monthly. Assessors are also given the opportunity to report issues with reassessment.



General Reassessment

- Department meeting with assessors in each of the six Indiana regions quarterly to discuss reassessment topics.
- Department conducting conference calls with vendors on reassessment.
- Department helped conduct training for newly elected assessors in January, including training on reassessment.

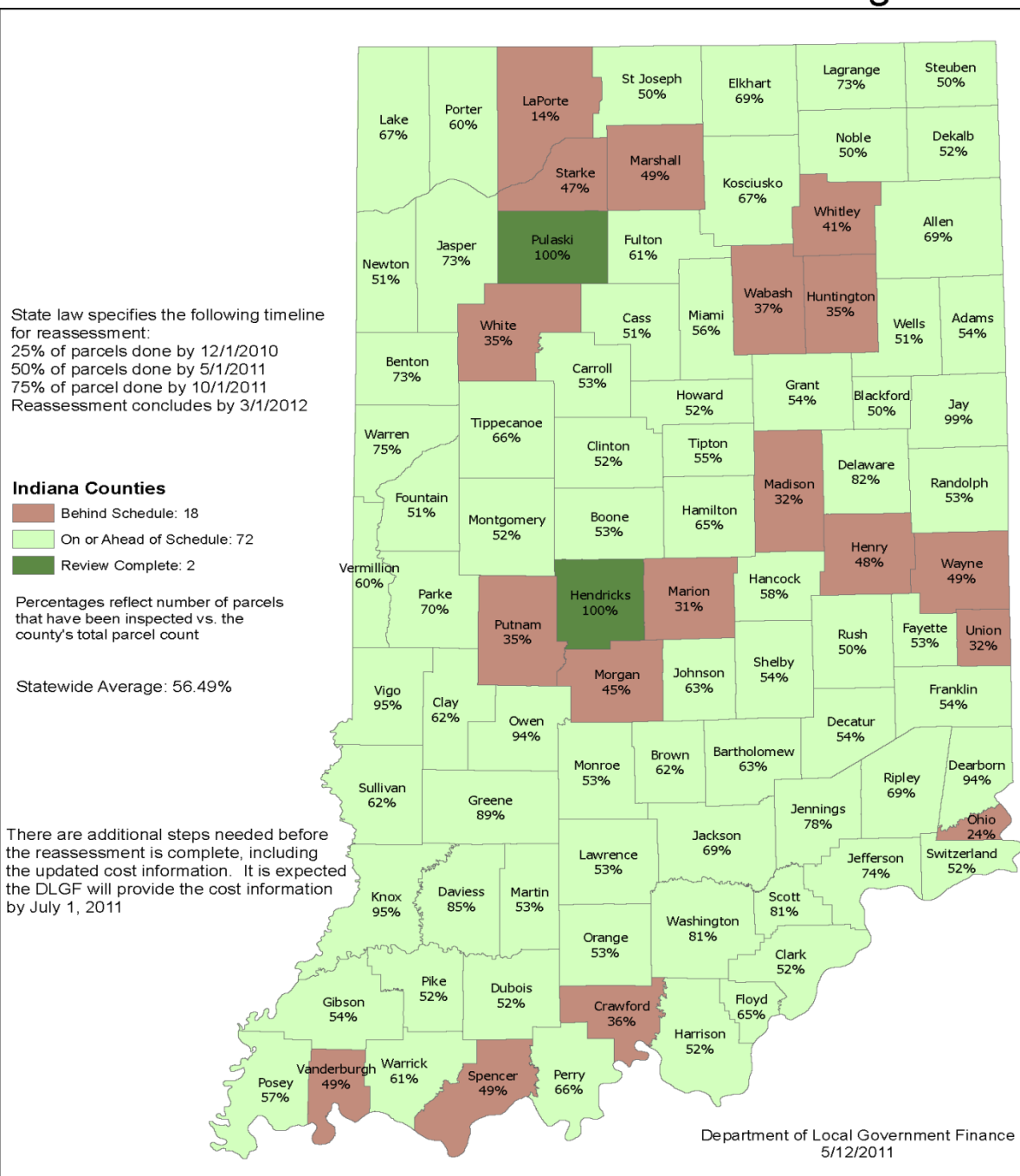


Reassessment vs. Trending

- Trending was implemented to supplement, not replace, the reassessments, which current law requires every 5 years.
- Without trending, reassessments resulted in dramatic shifts in assessed values because the values of properties were typically only adjusted during a reassessment year.
- Trending requires the assessor to annually adjust the value of the property based on market value-in-use.



- 72 on or ahead of schedule
- 2 complete
- 18 behind schedule





- 38 on or ahead of schedule
- 1 complete
- 53 behind schedule

2012 Reassessment Data Review Progress

State law specifies the following timeline for reassessment:
 25% of parcels done by 12/1/2010
 50% of parcels done by 5/1/2011
 75% of parcel done by 10/1/2011
 Reassessment concludes by 3/1/2012

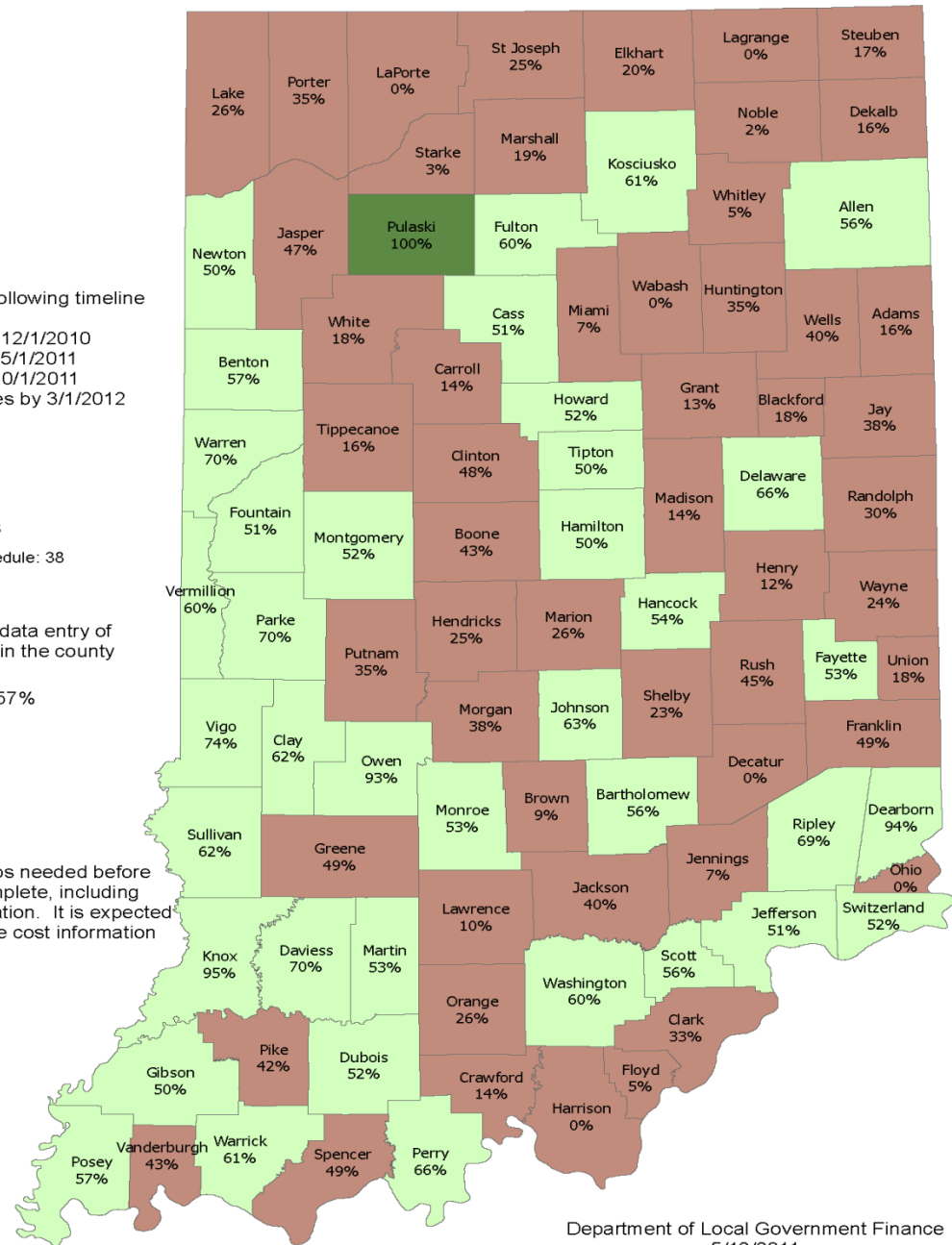
Indiana Counties

- Behind Schedule: 53
- On or Ahead of Schedule: 38
- Review Complete: 1

Percentages reflect the data entry of total number of parcels in the county

Statewide Average: 28.57%

There are additional steps needed before the reassessment is complete, including the updated cost information. It is expected the DLGF will provide the cost information by July 1, 2011





LEGISLATION



2011 Legislative Changes

ROADMAP

- Removal of “use it or lose it”
- Major simplification of max levy calculation
- Homestead deductions and married couples
- Unsold residence in inventory deduction



2011 Legislative Changes

ROADMAP (continued)

- Additional reforms of referendum process
- Deadline extended to file amended personal property tax return
- Government transparency reforms
- Correction of error appeal available for circuit breaker credit classification



2011 Legislative Changes

- Removal of “use it or lose it” (HEA 1288-2011, amending Ind. Code 6-1.1-18.5-1)
 - For the past several years, if a local government unit chose not to raise the maximum allowable property tax levy it was entitled to under law one year, the law reduced the maximum allowable levy for the year following. For example, if the unit levied \$900,000 in 2009 instead of a \$1,000,000 maximum levy, then in 2010, the unit could levy \$950,000 plus AVGQ (and other calculations under the max levy statute).
 - Last year the General Assembly introduced some flexibility by allowing a unit to spend down its cash balances and appeal to the Department to avoid “use it or lose it.”



2011 Legislative Changes

- Removal of “use it or lose it” (continued)
 - This year the General Assembly eliminated the “use it or lose it” restriction altogether. The General Assembly found that the restriction was prompting many local governments to raise the maximum tax levy for fear of losing max levy in future years. Now that this incentive has been removed from the law, local governments can impose lower taxes without the fear of losing max levy capacity in future years.



2011 Legislative Changes

- Major simplification of max levy calculation (HEA 1004-2011, amending Ind. Code 6-1.1-18.5)
 - Last year the Department undertook an audit of the process to calculate the max levy. We went to statute to reduce the words of the Indiana Code to a comprehensible formula. Our goals were to reproduce the formula so that a unit could understand how the maximum levy was calculated and to ensure the calculation was done according to statute.
 - Like a number of statutes, one section leads to another section, which cross references another section, and soon you have baffling intricacy and complexity. This applied to CAGIT county max levy calculations.



Amount determined in 6-1.1-18.5-3(f)

STEP 4: (STEP 3) plus (STEP 4 of 6-1.1-18.5-3(d))

STEP 5: (STEP 1) minus (STEP 4)

PLUG into 6-1.1-18.5-3(b) STEP 8

(f)

Year = Lesser of:

an zero, or
4.

Year = Latest of:

- 1) 1987, if unit in county w/ CAGIT in 1987,
- 2) Base Year from 6-1.1-18.5-5 if unit not in CAGIT county in 1987; or
- 3) Ensuing calendar year following 1st year taxing unit is located in CAGIT county w/ a rate of more than (0.5%) on July 1 of that year.

determination year, take certified share calendar year multiplied by:
w/ a tax rate of $\frac{1}{2}\% = 0$
" " " " $\frac{2}{4}\% = \frac{1}{2}$
" " " " $1.0\% = 1$

↑

6-1.1-18.5-3(d)

Only applies to CTUs in county w/ CAGIT rate of 1%

~~STEP~~

STEP 1: (Max Levy for Preceding Year) x ~~0.02~~

STEP 2: Determination Year = Amount from 6-1.1-18.5-3(f)

After Determination Year = Lesser of:

- (1) STEP 1, or
- (2) Amount from 6-1.1-18.5-3(f)

STEP 3: Greater of:

- (1) Zero, or
- (2) CTU's certified share for ensuing year minus Greater of:
 - a. Certified share for year preceding ensuing year, or

↑

6-1.1-18.

Base Year

whichever is later

* Initial Certified

★ Base Year - 21



2011 Legislative Changes

- Major simplification (continued)
 - The formula for calculating the max levy for CAGIT counties turned out to be 13 pages long per unit.
 - In consultation with the Legislative Services Agency and other state agencies, the Department researched the purpose of the lengthy calculation, which involved a legislative change that took place in 1979. No purpose or clear intent could be discerned.



2011 Legislative Changes

- Major simplification (continued)
 - As a result of a recent legislative change, that calculation has been reduced to 3 pages.
 - The next slide shows how many lines of the Indiana Code were struck through to produce a formula that is concise and understandable.





2011 Legislative Changes

- Homestead deductions and married couples
 - The homestead deduction statute has been amended to allow a married couple to claim a homestead in Indiana and a homestead OUTSIDE Indiana under certain, narrow circumstances. (HEA 1004-2011: Ind. Code 6-1.1-12-37(n)).
 - Under these circumstances, the applicant for an Indiana homestead must also file an affidavit, which must include:
 - Name of the county and the state in which the applicant's spouse claims a deduction.
 - Statement under the penalty of perjury that the applicant and the applicant's spouse: (1) maintain separate residences; (2) have no ownership interest in the other's principal residence; and (3) for that year have not claimed a homestead deduction on another residence.



2011 Legislative Changes

- Homestead deductions (continued)
 - The county auditor may require an individual or an individual's spouse to provide evidence of the accuracy of the information in the affidavit.
 - The evidence may include:
 - State income tax returns
 - Excise tax payment information
 - Property tax payment information
 - Drivers license information
 - Voter registration information



2011 Legislative Changes

- Homestead deductions (continued)
 - This amendment is effective for 2011 pay 2012 assessments.
 - If a county auditor denies ANY application for a homestead deduction, the auditor must inform the applicant of the denial in writing. (Ind. Code 6-1.1-12-37(o)).



2011 Legislative Changes

- Deduction for unsold residence in inventory (HEA 1046-2011, adding new chapter Ind. Code 6-1.1-12.8)
 - Applies to a residence in inventory that is partially or fully completed and first assessed for the March 1, 2012 assessment date.
 - Only residential builders can take the deduction for single family residences, townhouses, or condominium units that have never been occupied.
 - Amount of deduction is 50% of assessed value of the structure and available for up to 3 residences in inventory.
 - The term residence in inventory does not include land on which the structure is located.



2011 Legislative Changes

- Deduction for unsold residence (continued)
 - To apply, an applicant must file a “statement” with the auditor. (Ind. Code 6-1.1-12.8-4).
 - The auditor, in turn, will seek verification of information in the statement from the assessor (township assessor if any).
 - Upon verification, the auditor shall make the deductions and notify the PTABOA of the deductions.
 - If the applicant claims this deduction in another (2nd) county, the auditor of the 1st county shall “immediately” transmit a statement to the auditor of the 2nd county.
 - The auditor in the 2nd county shall make note on the transmitted statement and return it to 1st auditor confirming existence of deduction.



2011 Legislative Changes

- Deduction for unsold residence (continued)
 - The application statement must contain certain information affirmed under penalties of PERJURY, including:
 - Assessed value of the real property for which the applicant is claiming the deduction.
 - Full name and business address of the applicant.
 - Complete address and brief description of real property.
 - Name of any other county in which the applicant is claiming the deduction.
 - Address and complete description of any other property for which this deduction is sought.
 - Affirmation that property is not and will not be leased during the term of the deduction and that owner is receiving no more than 3 of this type of deduction.



2011 Legislative Changes

- Controlled project and school referendum tax levy reform (HEA 1238-2011, amends Ind. Code 6-1.1-20 and Ind. Code 20-46-1):
 - DLGF now approves or disapproves language on ballot questions for controlled projects and school operating referendum levies. Before this change, DLGF only certified the tax rate increase, reviewed non-rate related language, and made recommendations on non-rate language.
 - Now (after 04/30/11) county election board submits ballot question to DLGF which reviews for accuracy and bias.
 - DLGF approves or disapproves with recommendations, certifying its decision to county auditor and election board.



2011 Legislative Changes

- Controlled project and school referendum tax levy reform (continued):
 - If the DLGF disapproves and makes recommendations, the county election board shall submit a modified ballot question after reviewing the DLGF's recommendations.
 - The DLGF will then review the modified version. If the Department disapproves the modified version, it may make more recommendations.
 - County auditor may NOT certify the question unless the DLGF has first certified and finally approved the ballot language.



2011 Legislative Changes

- Controlled project and school referendum tax levy reform (continued):
 - Examples of how NOT to draft a ballot question:
 - Touting “School Safety” in the name of a project and claiming the project will produce learning environments that are “safe and secure” when only \$3,400,000 (or 6.8%) of the \$50,000,000 proposal is allocated for school safety and security.
 - Claiming the debt service rate is an increase “based on the assumption that the debt service tax rate would otherwise be \$0.00.”
 - Statements like these are misleading and inaccurate and will not be approved.



2011 Legislative Changes

- Deadline to file AMENDED personal property tax return—extended from 6 months to 12 months. (HEA 1004-2011, amending Ind. Code 6-1.1-3-7.5).
 - File amended return before July 16, taxpayer pays taxes based on that amended return. (UNCHANGED by new law.)
 - File amended return after July 15, taxpayer pays taxes based on original return and in following tax years is eligible to receive a credit on tax bill.



2011 Legislative Changes

- Deadline to file AMENDED personal property tax return (continued).
 - If the amount of the credit is \$25,000 or less, the taxpayer will receive that credit in the year following the year he pays taxes on that amended personal property return.
 - For example, if on July 31, a taxpayer files an amended return for assessment year 2011, he will pay taxes in 2012 based on the original return. If his amended return results in a \$24,000 credit, that credit will apply to his personal property tax bill in 2013.



2011 Legislative Changes

- Deadline to file AMENDED personal property tax return (continued).
 - If the credit is greater than \$25,000, the county auditor may spread out the credit over a period of three years.
 - For example, if on July 31, a taxpayer files an amended return for assessment year 2011, he will pay taxes in 2012 based on the original return. If he is entitled to a \$30,000 credit, the auditor may divide that credit into amounts to carry forward to the following three years' tax bills. So the \$30,000 credit for assessment year 2011 could be carried forward to personal property tax bills in 2013, 2014, and 2015.



2011 Legislative Changes

- Deadline to file AMENDED personal property tax return (continued).
 - County is not required to pay interest on the credit.
 - If the taxpayer files the amended return between 6 months and 12 months after the original return deadline, the auditor shall reduce his credit by 10%.
 - For example, if a taxpayer files an amended return on May 1, 2012 for assessment year 2011, he will pay taxes in 2012 based on the original return. If the amended return generates a \$50,000 credit, that amount will be reduced by a 10% penalty to arrive at \$45,000.



2011 Legislative Changes

- Deadline to file AMENDED personal property tax return (continued).
 - If an excess credit remains after the credit is applied in the final year, the auditor shall refund the excess amount not later than December 31 of the year to which the final credit may be carried.
 - Using the same example above, if a taxpayer files an amended return on May 1, 2012 for assessment year 2011, he will pay taxes in 2012 based on the original return. The \$45,000 credit may be applied to personal property tax bills in 2013, 2014, and 2015. If \$5,000 remains after \$40,000 of the credit is carried forward, the auditor shall refund the \$5,000 by December 31, 2015.



2011 Legislative Changes

- Government Transparency (HEA 1004-2011, amending various statutes)
 - DLGF not authorized to approve a budget or additional appropriation until units file annual financial and salary reports with the State Board of Accounts. (A township's failure to file the TA-7 currently bars budget approval.)
 - DLGF will certify a tax rate and tax levy but will not approve the unit's spending of money until the unit files those reports.
 - So for 2011 pay 2012, for example, the unit is required to file its 2011 reports (containing 2010 information) before the DLGF may approve a budget or supplemental appropriation for 2012.



2011 Legislative Changes

- Government Transparency (continued)
 - The Department is authorized to prescribe electronic forms, including without limitation, forms for the budget certification process and will do so this year as part of the roll out of Gateway for Government Units. (New Chapter Ind. Code 5-14-3.8-7.)
 - This includes Forms 1, 2, 3, 4, 4a, 4b, and 144 (salary ordinance for counties and cities).
 - DLGF is also launching the Certificate of Net Assessed Value as an online electronic form.



2011 Legislative Changes

- Correction of error appeals allowed for circuit breaker tier (or classification) and any other credit permitted by law. (HEA 1004-2011, amending Ind. Code 6-1.1-15-12.)
 - For example, if a taxpayer was erroneously classified for the 2% tier when he should have been classified for the 1% tier, he may file a correction of error appeal for the 1% tier.
 - This specific amendment to the statute clarifies existing law.



Contact the Department

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